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E.O. 12958: DECL: 01/31/2018  
TAGS: [EAID](#) [ECON](#) [PGOV](#) [EG](#)  
SUBJECT: MIC'S ABOUL NAGA "EXTREMELY DISAPPOINTED" BY  
RESPONSE ON DEBT RELIEF, ENDOWMENT REQUEST

REF: 07 CAIRO 3365

Classified by Charge d'Affaires Stuart Jones for reason 1.4  
(d)

¶1. (C) Charge, USAID mission director, and econ counselor (notetaker) met with Minister for International Cooperation Fayza Abounaga to discuss next steps on the U.S. economic assistance program to Egypt. Charge explained that for FY 2009, the Administration's budget request for \$200 million was firm, and that debt relief was not under consideration because it would require additional appropriations. He also raised the option of reprogramming approximately \$200 million from the Financial Sector MOU that the GOE was unlikely to receive (ref). He described how this \$200 million, while not new money, was otherwise unlikely to be disbursed in the near future, and pointed out that it could be usefully reprogrammed to support GOE poverty eradication programs. He noted, however, that this proposal would require consultation with Congress.

¶2. (C) Abounaga responded that the GOE is interested in the reprogramming, given that the GOE has moved beyond some of the benchmarks laid out in the Financial Sector MOU. She described this, however, as a way of dealing with the "pipeline" of unspent funds. She cautioned that she does not see a reprogramming proposal as part of the discussion of the future of the ESF program after FY 2008. She said she is still waiting for a formal response to the Egyptian request for additional ESF funding, funding for an endowment fund, and debt relief, as proposed by the GOE in November 2007. Questions remain, she said, about the "size, shape and mechanism" of the program.

¶3. (C) In response to Charge's comments about future ESF funding levels of \$200 million, and the unlikelihood of debt relief, Abounaga said that she was "very, very disappointed," did not feel that this reflected the "spirit" of the conversation that Prime Minister Nazif had had with the Secretary on January 16 in Sharm El Sheikh, and that the GOE was receiving "mixed signals" on the prospects for additional ESF and debt relief. Abounaga reviewed the GOE argument that after FY 2008 Egypt's debt repayments would be higher than ESF, and said the failure of the Administration to obtain higher ESF levels and/or budgetary authority for debt relief was a question of "political will."

¶4. (C) Charge acknowledged that the U.S. owes a written response to the GOE's December letter, and undertook to pursue that with Washington agencies. He reiterated the arguments against debt relief, including that the U.S. is committed to providing \$1.3 billion in military assistance to Egypt every year and that the Egyptian debt is at concessionary rates.

¶5. (C) COMMENT: We were pleased at the minister's relatively positive receptive to the proposal for reprogramming otherwise possibly undisbursable funds under

the Financial Sector MOU. Post is sending an updated draft  
reply to the November 2007 letter via e-mail and requests  
Washington agencies' review and clearance. END COMMENT.  
JONES